

Message Text

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ACTION EUR-12

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PARIS ALSO FOR USOECD (KORP PASS SOLOMON)

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: PRESS REACTION TO ROME VISIT OF UNDER SECRETARY SOLOMON

1. SUMMARY. ITALIAN PRESS OF FEBRUARY 14-16 GAVE CONSIDERABLE COVERAGE TO ROME VISIT OF TREASURY UNDER SECRETARY SOLOMON. MOST ARTICLES, HOWEVER, CONTAIN MISINFORMATION ON PURPOSE OF TRIP AND WHAT SOLOMON SAID.

CITING UNNAMED ITALIAN OFFICIALS, REPORTS FEATURE SOLOMON AS TELLING HIS ROME INTERLOCUTORS THAT THE WEEKEND G-5 MEETING FAILED TO NARROW THE DIFFERENCES BETWEEN THE U.S. AND GERMANY ON ECONOMIC POLICIES. SOME PAPERS SPECULATE THAT SOLOMON CAME TO ROME TO SEEK ITALIAN HELP TO GET GERMANS TO REFLATE. END SUMMARY.

2. THE MOST SPECULATIVE REPORTING APPEARS IN "LA REPUBBLICA," THE LEFT-LEANING ROME DAILY, WHICH HEADLINES ITS FEBRUARY 16 ARTICLE ON THE ECONOMIC PAGE, "THE U.S. STRATEGY FAILS." THE OPENING SENTENCES OF THE ARTICLE ARE: "THE U.S.

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SEEMS TO HAVE GIVEN UP ITS EFFORTS TO GET THE GERMANS TO RELAUNCH THEIR ECONOMY. THEY WILL CONTINUE THEIR EFFORTS, HOWEVER, WITHOUT MUCH HOPE OF SUCCESS."

2. IN A FRONT-PAGE ARTICLE ON FEBRUARY 14, THE SAME PAPER AND THE SAME AUTHOR (BARBARA SPINELLI) SPECULATED THAT THE ORIGIN OF SOLOMON'S TRIP WAS THE FACT THAT

"ITALY IS AT THE CENTER OF U.S. PREOCCUPATION...."
THE ARTICLE FURTHER STATED THAT, "THE BEST ECONOMISTS OF THE CARTER ADMINISTRATION...ARE MOBILIZED FOR A 'GRAND MANEUVER' WHICH IN WASHINGTON'S VIEW IS AIMED AT ASSURING AN IMPROVED 'GOVERNABILITY' OF THE WESTERN WORLD AND TO GIVE BACK TO THE U.S. A 'LEADERSHIP' ONE-HALF LOST AND THE OTHER HALF CONTESTED BY THE POWERFUL ALLY GERMANY." IN CONNECTION WITH THE REPORTING ON SOLOMON'S VISIT, SPINELLI ALSO STATED THAT BOTH USG AND IMF WOULD ACCEPT 24,000 BILLION LIRE ENLARGED PUBLIC SECTOR DEFICIT FOR 1978 PROVIDED THAT MEASURES WERE PUT INTO EFFECT NOW THAT WOULD REDUCE DEFICIT IN 1979.

3. "LA STAMPA", RUIN DAILY, IN A SHORT STORY ON THE ECONOMIC PAGE (FEBRUARY 16), WRITES THAT SOLOMON GAVE A VERY PESSIMISTIC ASSESSMENT FOR A RAPID EXPANSION OF THE ECONOMIES OF THE WEST.

4. MILAN'S FINANCIAL DAILY, "IL SOLE/24 ORE" (FEBRUARY 16) REPORTS SOLOMON AS SAYING THAT THE DOLLAR IS ABOUT TO BEGIN IMPROVING, BUT THAT HIS COMMENTS "...CAUSED INCREDULITY GIVEN THE CURRENT STATE AND OUTLOOK FOR THE US BALANCE OF TRADE". WITH RESPECT TO GERMANY'S ECONOMIC OUTLOOK, PAPER WRITES THAT SOLOMON INDICATED THAT, "IN HIS VIEW, THE GERMAN POSITION HAS SOFTENED A BIT AND THAT THE FORECAST GROWTH OF 3.5 PERCENT IS LIMITED OFFICIAL USE

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ALREADY SUFFICIENT SINCE IT IMPLIES A NOTICEABLE PICK-UP DURING THE COURSE OF THE YEAR, GIVEN THE LOW POINT OF DEPARTURE." AS REGARDS THE ITALIAN SITUATION, THE ARTICLE STATES THAT SOLOMON EXPRESSED SATISFACTION WITH RESULTS ACHIEVED TO DATE, WHILE DE-DRAMATIZING THE PREOCCUPATION EXPRESSED IN JANUARY BY THE US WITH RESPECT TO COMMUNIST PARTICIPATION IN THE MAJORITY.

5. THE COMMUNIST PAPER "L'UNITA" IN AN ARTICLE (ON FEBRUARY 16) ATTEMPTING TO DESCRIBE WHAT IT CALLED THE "UNCERTAIN INTERNATIONAL MONETARY SITUATION" WRITES THAT SOLOMON "TRIED TO CONVINCE THE ITALIANS TO PUT PRESSURE ON THE GERMANS TO ADOPT INTERNAL EXPANSIONARY MEASURES WHICH WOULD GIVE A BREATHING SPACE TO OTHER COUNTRIES."

6. THE RIGHT-OF-CENTER MILAN DAILY "IL GIORNALE" (FEBRUARY 16) WRITES THAT SOLOMON INFORMED ITALIAN OFFICIALS THAT GERMANY HAS ACCEPTED, ALBEIT RELUCTANTLY, THE DEMANDS TO EXPAND INTERNAL DEMAND SO AS TO PRODUCE BENEFICIAL EFFECTS FOR FRANCE AND ITALY.

7. "CORRIERE DELLA SERA", IN ADDITION TO THE USUAL

POINT ABOUT SEEKING ITALIAN HELP TO PRESSURE GERMANY,
SAYS THAT SOLOMON WAS OPTIMISTIC ABOUT EARLY PASSAGE
OF THE WITTEVEEN FACILITY AND THAT THE US CAN RESIST
PROTECTIONIST PRESSURES BUT-NEEDS HELP FROM ITS TRADING
PARTNERS, WHICH SHOULD ALSO AVOID PROTECTIONIST
MEASURES.GARDNER

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